

CONTENT AREA

Flexible Spending Accounts (FSA)

ISSUES/QUESTIONS

1. When an employee terminates employment and her FSA, through what date are the employee's claims against her FSA valid (i.e., through what date may the employee incur eligible expenses to be paid from her FSA)?
2. When an employee terminates employment, is the employee eligible to continue making payments to and receiving reimbursements from her FSA? If so, where does the employee send her payments that will be added to her FSA?
3. When an employee terminates employment and elects to continue her FSA through COBRA coverage, may she change the annual amount of her FSA?
4. What is the fax number for submitting FSA claims?
5. ASI, the FSA Administrator, gave a PowerPoint presentation at the last Customer Satisfaction Council meeting. Is that presentation available for viewing?

ANSWERS

1. When an employee terminates both her employment and her FSA, the last day for her to incur eligible expenses, to be reimbursed from her FSA, is either the 15th or the last day of the month following her termination date, whichever is earlier.
2. Yes, a terminated employee is eligible to continue her FSA through her COBRA coverage. However, her FSA payments/contributions are no longer made on a pretax basis and the employee is also charged a 2% COBRA administration fee. Given the 2% administration fee and the fact that post-employment contributions are not made pretax, the employee should weigh the costs against the benefits of maintaining her FSA. Generally speaking, persons who have a significant balance in their FSA will benefit from continuing the FSA through COBRA coverage. On the other hand, employees with a minimal FSA balance may elect to terminate their FSA. They will, however, lose the money remaining in their FSA.

When an employee is terminated, the agency benefits liaison must notify the terminated employee, in writing, of her COBRA options within 14 days of the employee's termination. The employee then has 60 days to elect COBRA coverage. If the employee does not elect COBRA coverage during that 60-day period, she forfeits her opportunity for post-employment coverage.

The employee should send her FSA payments/contributions to:

Arizona Department of Administration, HITF-MSD
100 North 15th Ave., Suite 210
Phoenix, AZ 85007-2629

The employee should include a copy of her COBRA enrollment form with her first payment.

3. No, termination of employment does not allow an employee to increase or decrease her annual FSA contribution if she elects to continue her FSA through COBRA coverage.
4. The fax number for submitting claims is (573) 874-0425. (This is a long-distance number.)

Detailed instructions for submitting claims can be found at www.asiflex.com.

5. Yes, benefit liaisons may access the presentation, for employee briefings, at <http://www.hr.state.az.us/Benefits/Benefitliaison.htm>, within the Training Modules section.

Employees may access the presentation at <http://www.hr.state.az.us/Benefits/Openenrollmentactive.htm>. This site will be active only until September 12, 2003.

AUTHORITY

United States Code Title 26 – Tax Treatment of Cafeteria Plans
Consolidated Omnibus Budget Reconciliation Act of 1985
ADOA Benefits Office Procedure

ISSUED

September 8, 2003